

Message Text

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E.O. 11652: GDS

TAGS: EMIN, EINV, JM

SUBJECT: JAMAICA'S FUTURE AS MAJOR BAUXITE/ALUMINA
SUPPLIER TO U.S.

REF: KINGSTON 1003

1. WITHIN CASP TIME FRAME (FY 77-78) AND CONTINUING
THROUGH END OF 1970'S, THERE IS LITTLE LIKELIHOOD THAT
ALTERNATE SOURCES WILL BE AVAILABLE TO REDUCE JAMAICA'S
POSITION AS DOMINANT SUPPLIER OF BAUXITE TO U.S. ALUMINUM
INDUSTRY. WE ANTICIPATE THAT, DURING THIS PERIOD,
JAMAICA WILL CONTINUE TO PROVIDE APPROXIMATELY HALF OF
OUR BAUXITE AND 20-25 PERCENT OF OUR ALUMINA IMPORTS.

2. MAJOR ALUMINUM COMPANIES ARE CONTINUING THEIR
EXPLORATION FOR OTHER SECURE BAUXITE SOURCES, WITH
MAJOR DEVELOPMENT CONCENTRATED IN GUINEA, AUSTRALIA,
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AND BRAZIL. GIVEN LONG LEAD-TIME AND LARGE INVESTMENT

NEEDED (DOLS 200-400/ANNUAL TON OF CAPACITY), IT IS UNLIKELY NEW SOURCES WILL BE FULLY DEVELOPED PRIOR TO EARLY 1980'S. THUS WE ANTICIPATE THAT IT WILL BE SEVERAL YEARS BEFORE THERE WILL BE NOTICEABLE EROSION IN JAMAICA'S SUPPLY POSITION.

3. IN ITS ANNUAL REPORT FOR 1975, ALCAN STATES THAT COMPANY'S PRESENT RAW MATERIAL SUPPLY SYSTEM IS EXPECTED TO ALTER IN LATTER YEARS OF 1970'S. BAUXITE FROM SOUTH AMERICA (LARGELY BRAZIL) WILL SUPPLY CANADIAN ALUMINA PLANTS, AND GUINEAN BAUXITE WILL BE ROUTED TO EUROPE. U.S. COMPANIES MAY HAVE SIMILAR PLANS. IN RECENT CONVERSATION WITH DEPT OFFICIALS, ALCOA EXECUTIVES SAID THAT COMPANY PLANS TO REDUCE OPERATIONS THROUGHOUT THE CARIBBEAN BY 50 PERCENT OF PREVIOUS LEVELS BECAUSE OF (A) HIGHER ENERGY COSTS IN U.S., WHICH WILL INHIBIT EXPANSION OF ALUMINUM INDUSTRY, AND (B) ALCOA'S COMMITMENT TO EXPAND OPERATIONS IN AUSTRALIA. ALCOA HAS NOT DIVULGED TIME TABLE FOR IMPLEMENTING THIS REDUCTION. ON OTHER HAND, KAISER IS APPARENTLY LOOKING TO JAMAICA AS ITS PRIMARY SOURCE OF BAUXITE FOR NEXT 5-8 YEARS.

4. WHILE DEMAND FOR ALUMINUM IS EXPECTED TO INCREASE BY SIX PERCENT ANNUALLY THROUGH 1980, INDUSTRY CAPACITY IS NOT EXPECTED TO KEEP APACE OF DEMAND. SHARP DROPS IN ALUMINUM DEMAND DURING RECENT RECESSION PROMPTED MAJOR COMPANIES TO DELAY EXPANSION PLANS. U.S. BUREAU OF MINES ANTICIPATES THAT, UNLESS DOMESTIC CAPACITY IS EXPANDED SHARPLY IN NEXT FEW YEARS, U.S. MAY BECOME INCREASINGLY DEPENDENT ON IMPORTED ALUMINUM. IF THIS PREDICTION FALLS TRUE, WE CAN EXPECT ONLY MODERATE INCREASE IN U.S. DEMAND FOR BAUXITE/ALUMINA OVER NEXT FEW YEARS.

5. TEN ALUMINUM PRODUCERS AND U.S. BUREAU OF MINES JOINTLY, AND SEVERAL COMPANIES INDEPENDENTLY, ARE CURRENTLY PURSUING RESEARCH ON BAUXITE ALTERNATIVES FOR ALUMINA. PRACTICAL APPLICATION OF THESE PROCESSES APPEARS TO BE SEVERAL YEARS AWAY. NEW PLANTS DESIGNED TO USE ALTERNATE MATERIALS ARE NOT EXPECTED IN MEDIUM

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TERM TO DISPLACE EXISTING ALUMINUM PLANTS WHICH USE BAUXITE AS RAW MATERIAL. KISSINGER

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